

Department of the Treasury
Office of Thrift Supervision
Transmittal



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The rules under which federal savings associations are organized and conduct business would be updated and streamlined under the attached proposed regulation.

In the first major revision of its corporate governance regulations since 1983, the Office of Thrift Supervision (OTS) proposes to reduce the number of charter and bylaw rules and policy statements on corporate governance from 33 to 24, a 27 percent reduction. The proposal is part of OTS' ongoing effort to reduce regulatory burden on the thrift industry as much as possible while maintaining safety and soundness.

One part of the proposal alone — moving the standard federal mutual and stock thrift charters and model bylaws from regulations to the Application Processing Regulatory Handbook — would result in 13.5 pages being cut from the Code of Federal Regulations (CFR). The move would make it easier for OTS to update the standard charters and model bylaws as needed.

The proposed changes help implement Vice President Gore's National Performance Review and the Riegle Community Development and Regulatory Improvement Act of 1994.

Some regulations are being eliminated because they are outdated or unnecessary. They include rules dealing with mutual capital certificates, emergency preparedness, and the requirement that the president of an institution also be a director and CEO. Other regulations are being eliminated because they are covered elsewhere or they merely cross reference other regulations, including provisions regarding corporate titles (official institution names), mutual to stock conversions, charter amendments, and savings deposits.

Still other sections were rewritten to clarify meaning or to give institutions more flexibility. The proposed changes would remove restrictions on the location of shareholder meetings and would authorize the

gathering of proxies over the phone or electronically. Other provisions would exempt wholly owned stock associations from certain requirements designed to protect minority shareholders, such as providing notice of shareholders meetings and compiling shareholder voting lists.

In addition, all stock institutions would be permitted to take actions based on unanimous written consent of shareholders in lieu of a vote at a formal shareholders meeting. Other changes would enable institutions to simply notify OTS after adopting charter and bylaws amendments that have been pre-approved by OTS. For example, a new preapproved charter amendment would be added enabling mutuals with old charters to increase up to 1,000 the maximum number of votes authorized for each member without filing an application with OTS. This is the charter amendment institutions most frequently ask OTS to approve.

While the regulations are intended to provide savings associations with a comprehensive set of clearer and more flexible corporate governance rules, institutions may still apply on a case-by-case basis to adopt non-standard charter and bylaw provisions.

The proposed changes do not require any institution to change its current charter. Those institutions that wish to update their charters and bylaws to reflect the new provisions once they become final need only obtain director and shareholder approvals and then file an after-the-fact notice with OTS.

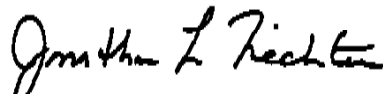
Comment is requested on whether federal savings associations would benefit from having the option of following the corporate governance laws of their home state or certain other states in lieu of certain OTS regulations.

OTS drafted the proposed changes after extensive consultation with those who use the regulations on a daily basis, including OTS regional staff and representatives of the thrift industry.

The notice of proposed rulemaking was published in the June 25, 1996 edition of the *Federal Register*, Vol. 61, No. 123, pp. 32713-32728. Written comments must be received on or before August 26, 1996, and should be addressed to: Manager, Dissemination Branch, Records Management and Information Policy Division, Office of Thrift

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Attachment
